338.7
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1930

THE LIBRARY OF THE
NOV 17 1931
UNIVERSITY OF ILLINOIS.

BAYUK CIGARS INCORPORATED

Certified Balance Sheet—December 31, 1930
and
Statement of Surplus and Earnings
for the period then ended

338.7
B34c
1930

PRICE, WATERHOUSE & CO.

PACKARD BUILDING
PHILADELPHIA

January 31, 1931.

Bayuk Cigars Incorporated,
9th Street and Columbia Avenue,
Philadelphia, Pa.

We have examined the books and accounts of Bayuk Cigars Incorporated and subsidiary companies, for the year ending December 31, 1930, and certify that, in our opinion, the annexed balance sheet of that date and statements of surplus account and of earnings for the year then ended have been correctly prepared therefrom and set forth the financial position of Bayuk Cigars Incorporated at December 31, 1930, and the results of operations for the year then ended.

PRICE, WATERHOUSE & CO.

BALANCE SHEET

Assets

CURRENT ASSETS:			
Cash		$ 826,377.46	
Trade accounts receivable	$1,596,936.87		
Less reserve for doubtful accounts and discount.	84,401.40	1,512,535.47	
Inventories (quantities certified by responsible officials) valued at approximate cost not above market:			
Manufactured goods	793,040.78		
Tobacco (raw materials and in process)	6,169,134.70		
Manufacturing labor applied to goods in process	85,305.80		
Supplies	51,932.38		
Advances account of purchases of 1929 tobacco crop, etc.	72,244.31	7,171,657.97	
Advance duty on Sumatra tobacco		553,462.46	
Revenue stamps		6,064.50	
Receivable from officers and employees		16,263.97	$10,086,361.83
TREASURY STOCK, COMMON:			
2,450 shares allotted to employees at not above $50.00 per share	122,500.00		
Less—received on account of subscriptions	35,043.56	87,456.44	
3,683 shares (at average cost) available for sale to employees		263,291.84	350,748.28
INVESTMENT IN STOCKS OF OTHER COMPANIES, ETC., at lower of cost or estimated realizable value			18,650.00
INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANY			1,528,329.71
Represented by:			
Plant real estate and equipment at depreciated cost	1,778,098.00		
Subject to first mortgage 6% sinking fund bonds.	250,000.00		
	1,528,098.00		
Cash, prepaid items, etc.	231.71		
	1,528,329.71		
INVESTMENT IN AND ADVANCES TO ASSOCIATED COMPANY			185,100.00
PLANT FACILITIES, at cost:			
Land and buildings	1,006,138.77		
Less reserve for depreciation of buildings	154,297.44	851,841.33	
Equipment, fixtures, etc.	1,479,535.93		
Less reserve for depreciation	601,765.00	877,770.93	
Automobiles	96,027.62		
Less reserve for depreciation	61,617.73	34,409.89	
(Appraised sound value at December 31, 1930, per Keystone Appraisal Company, $2,703,876.50)		1,764,022.15	
Cigar machine licenses	1,376,100.00		
Less amortization	475,495.00	900,605.00	2,664,627.15
PREPAID INSURANCE, INTEREST, ADVERTISING, ETC.			153,543.51
REORGANIZATION AND FINANCING EXPENSES, less premium on sale of stock		126,334.00	
Less, amortized to date		38,281.62	88,052.38
			$15,075,412.86

DECEMBER 31, 1930

Liabilities

CURRENT LIABILITIES:				
Notes payable			$2,550,000.00	
Trade creditors			84,406.85	
Sundry accounts payable			4,420.00	
Accrued wages, salaries and commissions			6,280.33	
Provision for 1930 Federal income tax			70,315.69	
Dividends payable			137,582.00	$2,853,004.87
PURCHASE MONEY MORTGAGE PAYABLE ON NEWARK FACTORY, due in 1931 and 1932				22,000.00
7% FIRST PREFERRED STOCK SINKING FUND ACCOUNT				71,178.53
RESERVES:				
Dividends on 7% first preferred stock			68,043.50	
Contingencies			43,096.52	111,140.02
CAPITAL STOCK AND SURPLUS:				
Capital stock:				
First preferred 7% cumulative, par $100.00				
Authorized and issued, 50,000 shares				
Less 11,118 shares retired through sinking fund			3,888,200.00	
Common, no par value				
Authorized, 250,000 shares				
Issued and outstanding, 98,851 shares			3,015,336.44	
Surplus:				
Balance December 31, 1930		$5,185,731.53		
Less sinking fund 7% first preferred stock:				
Total provision	$1,192,500.00			
Paid in redemption of $1,111,800.00 stock	1,121,321.47	71,178.53	5,114,553.00	12,018,089.44
				$15,075,412.86

Surplus Account

FOR THE YEAR ENDING DECEMBER 31, 1930

Balance, December 31, 1929			$5,210,797.97
Deduct:			
Amortization of reorganization and financing expenses		$ 5,404.29	
Excess of cost of 2,450 shares of company's common stock allotted to employees over value at which carried in the balance sheet	$ 52,626.00		
Loss on 167 shares company's common stock subscribed and paid for by employees	3,587.16	56,213.16	61,617.45
			5,149,180.52
Add:			
Profit for the year ending December 31, 1930		580,580.74	
Discount on 2,386 shares 7% first preferred stock retired		10,995.00	
Reduction of reserve for dividend on 7% first preferred stock due to retirement during the year of 2,386 shares		4,175.50	
Refund of Federal income tax for the year 1928		825.52	596,576.76
			5,745,757.28
Dividends 1930:			
7% first preferred stock		280,323.75	
Common stock		279,702.00	560,025.75
			$5,185,731.53

Statement of Earnings

FOR THE YEAR ENDING DECEMBER 31, 1930

Gross earnings, before depreciation and amortization		$2,731,116.26
Deduct:		
Selling and general administrative expenses	$1,738,338.71	
Provision for depreciation of buildings, equipment and automobiles	184,619.18	
Amortization of cost of cigar machine licenses	133,005.00	2,055,962.89
		675,153.37
Add—discount and miscellaneous profits		71,820.03
		746,973.40
Deduct—Interest:		
Interest on notes payable, etc.	131,210.82	
Less interest received	35,133.85	96,076.97
		650,896.43
Provision for Federal income tax		70,315.69
Net profit for the year		$ 580,580.74

THE LIBRARY OF THE
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BAYUK CIGARS INCORPORATED

THE LIBRARY OF THE
MAY 19 1933
UNIVERSITY OF ILLINOIS.

Certified Balance Sheet—December 31, 1931
and
Statement of Surplus and Earnings
for the period then ended

BAYUK CIGARS INCORPORATED

SAMUEL BAYUK, *Chairman of the Board* HARVEY L. HIRST, *President*

LOUIS A. KRAMER, *Vice-President*
A. JOSEPH NEWMAN, *Vice-President*
H. P. WURMAN, *Vice-President*
A. NELSON HIRST, *Treasurer*
JOHN O. DAVIS, *Secretary*

BOARD OF DIRECTORS

SAMUEL BAYUK
HOWLAND S. DAVIS
HARVEY L. HIRST
LOUIS A. KRAMER
SAMUEL B. LEWIS
A. JOSEPH NEWMAN
T. EDWIN QUISENBERRY
JEROME J. ROTHSCHILD
J. VIPOND
H. P. WURMAN

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1931

PRICE, WATERHOUSE & CO.

PACKARD BUILDING
PHILADELPHIA

January 29, 1932.

To the Stockholders,

Bayuk Cigars Incorporated,

Philadelphia, Pa.

We have made an examination of the books and accounts of Bayuk Cigars Incorporated and of the subsidiary company, Columbia Realty Corporation, for the year ending December 31, 1931 and, in our opinion, the annexed balance sheet of that date and statements of profit and loss and surplus accounts for the year then ending have been prepared in accordance therewith. Reserves in the aggregate amount of $1,107,012.04 for adjustment of inventory valuation were provided during the year out of surplus account. On this basis, we report that the appended balance sheet and statements of profit and loss and surplus accounts, in our opinion, set forth the financial position of Bayuk Cigars Incorporated at December 31, 1931, and the results of operations for the year then ending.

PRICE, WATERHOUSE & CO.

BALANCE SHEET

Assets

CURRENT ASSETS:			
Cash		$ 551,849.36	
Trade accounts receivable	$1,156,629.84		
Less, reserve for doubtful accounts and discount	104,631.84	1,051,998.00	
Inventories (quantities certified by responsible officials) valued at not above cost or market:			
Manufactured goods	325,597.12		
Tobaccos (raw materials and in process)	$4,596,978.61		
Less reserve	522,635.06	4,074,343.55	
Manufacturing labor applied to goods in process	52,740.86		
Supplies	64,603.20		
Advances account of purchases of 1931 tobacco crop, etc.	18,357.25	4,535,641.98	
Advance duty on imported tobacco		365,157.94	
Revenue stamps		3,243.98	$6,507,891.26
RECEIVABLE FROM OFFICERS, EMPLOYEES, ETC.			151,346.00
TREASURY STOCK, COMMON:			
697 shares allotted to employees at not above $50.00 per share	34,850.00		
Less—received on account of subscriptions	3,700.98	31,149.02	
8,547 shares at or below cost, available for sale to employees		414,145.84	445,294.86
INVESTMENT IN STOCKS OF OTHER COMPANIES, ETC., at lower of cost or estimated realizable value			17,450.00
INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANY			1,486,903.88
Represented by:			
Plant, real estate and equipment at depreciated cost	1,712,277.28		
Subject to first mortgage 6% sinking fund bonds	225,000.00		
	1,487,277.28		
Less—accrued taxes, interest, etc. (net)	373.40		
	1,486,903.88		
INVESTMENT IN AND ADVANCES TO ASSOCIATED COMPANY			190,685.65
PLANT FACILITIES, at cost:			
Land and buildings	1,006,138.77		
Less reserve for depreciation of buildings	171,531.20	834,607.57	
Equipment, fixtures, etc.	1,464,962.24		
Less reserve for depreciation	719,497.45	745,464.79	
Automobiles	84,264.31		
Less reserve for depreciation	68,034.64	16,229.67	
(Appraised sound value at December 31, 1931, per Keystone Appraisal Company, $2,446,197.13)		1,596,302.03	
Cigar machine licenses	1,376,100.00		
Less amortization	613,105.00	762,995.00	2,359,297.03
PREPAID INSURANCE, INTEREST, ADVERTISING, ETC.			137,167.82
REORGANIZATION AND FINANCING EXPENSE, less premiums on sales of stock		126,334.00	
Less, amortized to date		48,456.00	77,878.00
			$11,373,914.50

DECEMBER 31, 1931

Liabilities

CURRENT LIABILITIES:				
Notes payable			$ 700,000.00	
Trade creditors			114,552.02	
Sundry accounts payable			11,738.47	
Accrued wages, salaries and commissions			2,482.94	
Dividends payable			93,786.34	
Purchase money mortgage payable on Newark factory, due in 1932			11,000.00	$ 933,559.77
RESERVE FOR DIVIDENDS ON 7% FIRST PREFERRED STOCK				60,182.50
CAPITAL STOCK AND SURPLUS:				
Capital stock:				
First preferred 7% cumulative, par $100.00				
Authorized and issued		50,000 shares		
Less:				
Retired through sinking fund	15,470 shares			
Purchased for retirement December 31, 1931, retired in January, 1932	140 shares	15,610 shares		
Outstanding		34,390 shares	3,439,000.00	
Common, no par value				
Authorized, 250,000 shares				
Issued and outstanding, 98,851 shares			3,015,336.44	
Surplus:				
Balance, December 31, 1931		$3,925,835.79		
Less sinking fund 7% first preferred stock:				
Total provision to date	$1,473,389.99			
Paid in redemption of $1,561,000.00 stock	1,473,389.99	—	3,925,835.79	10,380,172.23
				$11,373,914.50

Profit and Loss Account

FOR THE YEAR ENDING DECEMBER 31, 1931

Gross earnings, before depreciation and amortization (on basis of providing out of surplus reserves aggregating $1,107,012.04 in respect of inventory of tobacco and cigars)		$2,059,101.93
Deduct:		
Selling and general administrative expenses	$1,523,345.81	
Provision for depreciation of buildings, equipment and automobiles	182,559.05	
Amortization of cost of cigar machine licenses	137,610.00	1,843,514.86
		215,587.07
Add—discount and miscellaneous profits		59,428.86
		$275,015.93
Deduct—Interest:		
Interest on notes payable, etc.	57,940.35	
Less interest received	38,674.94	19,265.41
Balance carried to surplus		$255,750.52

Surplus Account

FOR THE YEAR ENDING DECEMBER 31, 1931

Balance December 31, 1930			$5,185,731.53
Deduct:			
Reserve for adjustment of inventories of tobacco and cigars at March 1, 1931	$965,549.10		
Reserve for adjustment of tobacco inventory at December 31, 1931	141,462.94	$1,107,012.04	
Amortization of reorganization and financing expenses		10,174.38	
Additional Federal income tax, year 1929		8,806.75	1,125,993.17
			4,059,738.36
Add:			
Balance from profit and loss account		255,750.52	
Discount on 4,492 shares 7% first preferred stock retired		97,131.50	
Reduction of reserve for dividend on 7% first preferred stock due to retirement during the year of 4,492 shares		7,861.00	360,743.02
			4,420,481.38
Dividends 1931:			
7% first preferred stock		254,695.00	
Common stock		239,950.59	494,645.59
Balance December 31, 1931			$3,925,835.79

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BAYUK CIGARS INCORPORATED

and Wholly Owned Subsidiary Company

THE LIBRARY OF THE
MAY 19 1933
UNIVERSITY OF ILLINOIS.

FINANCIAL STATEMENTS

DECEMBER 31, 1932

BAYUK CIGARS INCORPORATED

SAMUEL BAYUK, *Chairman of the Board* HARRY S. ROTHSCHILD, *President*

LOUIS A. KRAMER, *Vice-President*
A. JOSEPH NEWMAN, *Vice-President*
H. P. WURMAN, *Vice-President*
HARVEY L. HIRST, *Treasurer*
A. NELSON HIRST, *Asst. Treasurer*
JOHN O. DAVIS, *Secretary*
E. R. LIGGETT, *Asst. Secretary*

BOARD OF DIRECTORS

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HOWLAND S. DAVIS
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J. VIPOND
H. P. WURMAN

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1932

PRICE, WATERHOUSE & CO.

PACKARD BUILDING
PHILADELPHIA

January 31, 1933.

Bayuk Cigars Incorporated,

Philadelphia, Pa.

We have made an examination of the books and accounts of Bayuk Cigars Incorporated, its wholly owned subsidiary, Columbia Realty Corporation, and controlled company but not consolidated, for the year ending December 31, 1932, and report that, in our opinion, the attached consolidated balance sheet, surplus and profit and loss accounts have been correctly prepared therefrom and, subject to the realization of the amount receivable from officers, employees, etc., set forth the consolidated financial position at December 31, 1932 and the results of operations for the year.

PRICE, WATERHOUSE & CO.

CONSOLIDATED BALANCE SHEET

Assets

CURRENT ASSETS:				
Cash			$333,956.69	
Trade accounts receivable		$637,995.28		
Less—reserves:				
For doubtful accounts and discounts	$66,319.98			
For rebates to customers on account of price reduction	73,600.00	139,919.98	498,075.30	
Inventories (quantities certified by responsible officials) valued at not above cost or market:				
Manufactured goods		373,787.86		
Tobaccos (raw materials and in process)	$4,271,540.96			
Less—Reserve	990,860.37	3,280,680.59		
Manufacturing labor applied to goods in process		42,453.06		
Supplies, etc.		44,835.64	3,741,757.15	
Revenue stamps			2,257.19	$4,576,046.33
RECEIVABLE FROM OFFICERS, EMPLOYEES, ETC.				133,019.51
LOANS RECEIVABLE, FULLY SECURED				52,448.57
INVESTMENT IN STOCKS OF OTHER COMPANIES, ETC., at cost				10,161.00
INVESTMENT IN AND RECEIVABLE FROM CONTROLLED COMPANY				*102,644.39
PLANT FACILITIES, at cost, less reserves:				
Land and buildings (subject, in part, to mortgage, per contra)		$2,582,077.20		
Less—Reserve for depreciation on buildings		335,557.52	2,246,519.68	
Equipment, fixtures, etc.		1,861,152.90		
Less—Reserve for depreciation		1,005,677.95	855,474.95	
Automobiles		68,548.70		
Less—Reserve for depreciation		54,055.32	14,493.38	
			3,116,488.01	
Cigar machine licenses		1,376,100.00		
Less—Amortization		750,715.00	625,385.00	3,741,873.01
EQUITY IN OTHER REAL ESTATE (subject to first mortgage of $37,500.00), at cost				23,831.05
PREPAID INSURANCE, ADVERTISING, MACHINE REPAIR PARTS, ETC.				72,217.32
REORGANIZATION AND FINANCING EXPENSES, less premium on sales of stock			126,334.00	
Less—Amortized to date			56,360.85	69,973.15
				$8,782,214.33

*Bayuk Cigars Incorporated has guaranteed as to principal and dividends the preferred stock of the controlled company. The amount outstanding not held by Bayuk Cigars Incorporated is $250,000.00 par value.

DECEMBER 31, 1932

Liabilities

CURRENT LIABILITIES:			
Trade creditors		$ 156,090.43	
Sundry accounts payable		7,399.04	
Accrued wages and salaries		2,214.31	
Accrued interest and taxes		5,275.14	
Dividend payable on 7% first preferred stock		54,075.00	$ 225,053.92
FIRST MORTGAGE 6% SINKING FUND BONDS, DUE SEPTEMBER 15, 1935			200,000.00
RESERVE FOR PREFERRED DIVIDEND ON STOCK OF CONTROLLED COMPANY			16,770.83
PREFERRED STOCK, 7% cumulative:			
Authorized and issued.. 50,000 shares ($100 par value each)			
Less—Retired through sinking fund ..... 19,100 shares			
Outstanding .... 30,900 shares			3,090,000.00
COMMON STOCK:			
Authorized, 250,000 shares, no par value			
Issued, 98,851 shares (including 9,244 shares in treasury)		3,015,336.44	
SURPLUS:			
Applied to redemption of 7% first preferred stock, par value $1,910,000.00	1,625,709.97		
Sinking fund reserve for purchase of 7% first preferred stock—unexpended	66,790.03		
Unappropriated	991,202.78	2,683,702.78	
		5,699,039.22	
Deduct, common stock in treasury, 9,244 shares, at or below cost		448,649.64	
Common stock and surplus, represented by 89,607 shares outstanding			5,250,389.58
			$8,782,214.33

NOTE: The company's equity in controlled company not consolidated has increased since acquisition by $2,824.36, which is not included in surplus in the above balance sheet.

Consolidated Surplus Account

FOR THE YEAR ENDING DECEMBER 31, 1932

Balance, December 31, 1931		$3,926,025.14
Deduct:		
Loss for the year ending December 31, 1932	$1,262,556.26	
Amortization of reorganization and financing expenses	7,904.85	
Additional assessment of 1930 Federal income tax	2,580.00	1,273,041.11
		2,652,984.03
Add:		
Discount on 3,490 shares 7% first preferred stock retired during the year	196,680.00	
Cancellation of reserve for dividends on 7% first preferred stock	60,182.50	256,862.50
		2,909,846.53
Dividends on 7% first preferred stock		226,143.75
Balance, December 31, 1932		$2,683,702.78

Consolidated Profit and Loss Account

FOR THE YEAR ENDING DECEMBER 31, 1932

Gross earnings, before depreciation, amortization and reduction of inventories to market value		$1,201,263.51
Add—Rentals, discount and miscellaneous profits		41,147.04
		1,242,410.55
Deduct:		
Selling and general administrative expenses	$1,236,659.10	
Provision for depreciation of buildings, equipment and automobiles	233,819.63	
Amortization of cost of cigar machine licenses	137,610.00	1,608,088.73
Loss before interest and extraordinary items		365,678.18
Interest:		
Interest on notes payable and mortgages	32,587.35	
Less—Interest received	12,119.88	20,467.47
		386,145.65
Extraordinary items:		
Reserve for tobacco inventory	669,639.41	
Write-down of cigar inventory to market value	42,633.91	
Reduction of value of machine parts and supplies inventory	63,767.46	
Provision for rebates to customers on account of price reduction	73,600.00	
Provision for loss on investment	9,999.00	
Provision for dividend on preferred stock of controlled company	16,770.83	876,410.61
Net loss, carried to surplus		$1,262,556.26

NOTE: The above statement is exclusive of the loss of controlled company not consolidated, $66,036.20.

THE LIBRARY OF THE
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BAYUK CIGARS INCORPORATED

and Wholly Owned Subsidiary Company

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UNIVERSITY OF ILLINOIS

FINANCIAL STATEMENTS

DECEMBER 31, 1933

BAYUK CIGARS INCORPORATED

SAMUEL BAYUK, *Chairman of the Board* HARRY S. ROTHSCHILD, *President*

LOUIS A. KRAMER, *Vice-President*
A. JOSEPH NEWMAN, *Vice-President*
H. P. WURMAN, *Vice-President*
HARVEY L. HIRST, *Treasurer*
A. NELSON HIRST, *Asst. Treasurer*
JOHN O. DAVIS, *Secretary*
E. R. LIGGETT, *Asst. Secretary*

BOARD OF DIRECTORS

SAMUEL BAYUK
HARRY C. CARR
HOWLAND S. DAVIS
HARVEY L. HIRST
LOUIS A. KRAMER
SAMUEL B. LEWIS
A. JOSEPH NEWMAN
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J. VIPOND
H. P. WURMAN

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PRICE, WATERHOUSE & CO.

PACKARD BUILDING
PHILADELPHIA

January 29, 1934.

Bayuk Cigars Incorporated,

Philadelphia, Pa.

THE LIBRARY OF THE
MAY 11 1937
UNIVERSITY OF ILLINOIS

We have made an examination of the consolidated balance sheet of Bayuk Cigars Incorporated and its wholly owned subsidiary company, and controlled company not consolidated as at December 31, 1933, and of the relative statements of consolidated surplus and profit and loss for the year 1933. In connection therewith, we examined or tested accounting records of the company, its wholly owned subsidiary company and controlled company not consolidated, and other supporting evidence, and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and relative statements of surplus and profit and loss fairly present, in accordance with accepted principles of accounting consistently followed by the companies, the financial position at December 31, 1933 and the results of the operations for the year.

PRICE, WATERHOUSE & CO.

CONSOLIDATED BALANCE SHEET

Assets

CURRENT ASSETS:			
Cash		$306,297.02	
Trade accounts receivable	$1,315,861.39		
Less—Reserve for doubtful accounts and discounts	124,647.13	1,191,214.26	
Inventories (quantities certified by responsible officials) valued at not above cost or market:			
Manufactured goods	487,004.96		
Tobaccos (raw materials and in process)	$4,924,663.04		
Less—Reserve	548,810.69	4,375,852.35	
Manufacturing labor applied to goods in process	136,374.05		
Supplies, etc.	85,388.31	5,084,619.67	
Revenue stamps		2,284.38	$6,584,415.33
CASH ON DEPOSIT FOR PURCHASE OF FIRST PREFERRED STOCK FOR SINKING FUND			121,290.43
RECEIVABLE FROM OFFICERS, EMPLOYEES, ETC.			26,935.79
INVESTMENT IN STOCKS OF OTHER COMPANIES, ETC., at cost			4,060.00
INVESTMENT IN CONTROLLED COMPANY			150,100.00*
PLANT FACILITIES, at cost, less reserves:			
Land and buildings (subject, in part, to mortgage, per contra)	$2,569,381.68		
Less—Reserve for depreciation on buildings	373,858.98	2,195,522.70	
Equipment, fixtures, etc.	1,858,386.61		
Less—Reserve for depreciation	1,155,560.49	702,826.12	
Automobiles	69,638.10		
Less—Reserve for depreciation	43,305.84	26,332.26	
		2,924,681.08	
Cigar machine licenses	1,376,100.00		
Less—Amortization	888,325.00	487,775.00	3,412,456.08
EQUITY IN OTHER REAL ESTATE: (subject to first mortgage of $37,500.00), at cost			23,831.05
PREPAID INSURANCE, TAXES, ADVERTISING, MACHINE REPAIR PARTS, ETC.			73,834.90
REORGANIZATION AND FINANCING EXPENSES, less premium on sales of stock		126,334.00	
Less—Amortized to date		63,681.33	62,652.67
			$10,459,576.25

*Bayuk Cigars Incorporated has guaranteed as to principal and dividends the preferred stock of the controlled company. The amount outstanding not held by Bayuk Cigars Incorporated is $200,000.00 par value.

DECEMBER 31, 1933

Liabilities

CURRENT LIABILITIES:			
Notes payable		$1,400,000.00	
Trade creditors		107,090.83	
Sundry accounts payable		10,600.14	
Accrued wages and salaries		8,164.10	
Accrued taxes and interest		33,690.45	
Provision for Federal income tax		13,000.00	
Dividend payable on 7% first preferred stock		48,419.00	$1,620,964.52
FIRST MORTGAGE 6% SINKING FUND BONDS DUE SEPTEMBER 15, 1935			175,000.00
PREFERRED STOCK, 7% cumulative:			
Authorized and issued	50,000 shares ($100 par value each)		
Less—Retired through sinking fund	22,332 shares		
Outstanding	27,668 shares		2,766,800.00
COMMON STOCK:			
Authorized, 250,000 shares, no par value			
Issued, 98,851 shares (including 8,000 shares in treasury)		3,015,336.44	
SURPLUS:			
Applied to redemption of 7% first preferred stock, par value $2,233,200.00	1,821,209.57		
Sinking fund reserve for purchase of 7% first preferred stock—unexpended	121,290.43		
Unappropriated	1,325,790.89	3,268,290.89	
		6,283,627.33	
Deduct, common stock in treasury, 8,000 shares at or below cost		386,815.60	
Common stock and surplus, represented by 90,851 shares outstanding			5,896,811.73
			$10,459,576.25

NOTE: The equity of Bayuk Cigars Incorporated in controlled company not consolidated has increased since acquisition by $63,003.55, which is not included in surplus in the above balance sheet.

Consolidated Surplus Account

FOR THE YEAR ENDING DECEMBER 31, 1933

Balance, December 31, 1932		$2,683,702.78
Deduct:		
Amortization of reorganization and financing expenses		7,320.48
		$2,676,382.30
Add:		
Net profit for the year ending December 31, 1933	$664,710.94	
Discount on 3,232 shares 7% first preferred stock retired during the year	127,700.40	792,411.34
		$3,468,793.64
Dividends on 7% first preferred stock		200,502.75
Balance, December 31, 1933		$3,268,290.89

Consolidated Profit and Loss Account

FOR THE YEAR ENDING DECEMBER 31, 1933

Gross earnings, before depreciation and amortization			$2,698,862.57
Deduct:			
Selling and general administrative expenses		$1,711,365.08	
Provision for depreciation of buildings, equipment and automobiles		233,033.03	
Amortization of cost of cigar machine licenses		137,610.00	2,082,008.11
			616,854.46
Add:			
Discount, rental, dividends and miscellaneous income		$89,332.27	
Payment in 1933 by controlled company of preferred dividend arrearages, the liability for which was provided for in the accounts of Bayuk Cigars Incorporated at December 31, 1932		16,770.83	106,103.10
			722,957.56
Other charges:			
Interest on notes payable and mortgage	$28,120.41		
Less—Interest received	3,117.79	25,002.62	
Loss on sales of plant assets, etc.		20,244.00	45,246.62
			677,710.94
Provision for Federal income tax			13,000.00
Net profit for the year, carried to surplus			$664,710.94

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NOTE: The equity of Bayuk Cigars Incorporated in undistributed earnings for the year of controlled company not consolidated was $60,179.19.

1934

BAYUK CIGARS INCORPORATED

and Wholly Owned Subsidiary Companies

THE LIBRARY OF THE
MAY 11 1937
UNIVERSITY OF ILLINOIS

FINANCIAL STATEMENTS

DECEMBER 31, 1934

BAYUK CIGARS INCORPORATED

SAMUEL BAYUK, *Chairman of the Board* HARRY S. ROTHSCHILD, *President*

LOUIS A. KRAMER, *Vice-President*
A. JOSEPH NEWMAN, *Vice-President*
H. P. WURMAN, *Vice-President*
HARVEY L. HIRST, *Treasurer*
A. NELSON HIRST, *Asst. Treasurer*
JOHN O. DAVIS, *Secretary*
E. R. LIGGETT, *Asst. Secretary*

BOARD OF DIRECTORS

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HARRY C. CARR
HOWLAND S. DAVIS
HARVEY L. HIRST
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SAMUEL B. LEWIS
A. JOSEPH NEWMAN
T. EDWIN QUISENBERRY
HARRY S. ROTHSCHILD
J. VIPOND
H. P. WURMAN

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1934

PRICE, WATERHOUSE & CO.

PACKARD BUILDING
PHILADELPHIA

February 5, 1935.

Bayuk Cigars Incorporated,

Philadelphia, Pa.

THE LIBRARY OF THE
MAY 11 1937
UNIVERSITY OF ILLINOIS

We have made an examination of the consolidated balance sheet of Bayuk Cigars Incorporated and its wholly owned subsidiary companies and controlled company not consolidated as at December 31, 1934, and of the relative statements of consolidated surplus and profit and loss for the year 1934. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence, and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and relative statements of surplus and profit and loss fairly present, in accordance with accepted principles of accounting consistently followed by the companies, their financial position at December 31, 1934, and the results of their operations for the year.

PRICE, WATERHOUSE & CO.

CONSOLIDATED BALANCE SHEET

Assets

CURRENT ASSETS:			
Cash		$377,851.12	
Notes and accounts receivable, trade	$1,464,089.70		
Less—Reserve for doubtful accounts and discounts	128,874.84	1,335,214.86	
Inventories (quantities certified by responsible officials) valued at not above cost or market:			
Manufactured goods	689,388.38		
Tobaccos (raw materials and in process)	$4,217,791.56		
Less—Reserve	165,905.58	4,051,885.98*	
Manufacturing labor applied to goods in process	168,302.15		
Supplies, etc.	132,633.69	5,042,210.20	
Revenue stamps		5,102.70	
Receivable from officers		8,170.43	$6,768,549.31
EMPLOYEES' CHRISTMAS FUND, CASH ON DEPOSIT IN TRUSTEE ACCOUNT, per contra			22,516.48
CASH ON DEPOSIT FOR PURCHASE OF FIRST PREFERRED STOCK FOR SINKING FUND			110,231.58
INVESTMENT IN CONTROLLED COMPANY, at cost			150,100.00**
MISCELLANEOUS INVESTMENTS			15,184.51
PLANT FACILITIES, at cost, less reserves:			
Land and buildings (subject, in part, to mortgage, per contra)	$2,591,821.31		
Less—Reserve for depreciation on buildings	419,674.90	2,172,146.41	
Equipment, fixtures, etc.	1,958,567.36		
Less—Reserve for depreciation	1,327,472.16	631,095.20	
Automobiles	79,118.12		
Less—Reserve for depreciation	53,344.73	25,773.39	
		2,829,015.00	
Cigar machine licenses	1,376,100.00		
Less—Amortization	1,025,935.00	350,165.00	3,179,180.00
EQUITY IN OTHER REAL ESTATE:			
(subject to first mortgage of $37,500.00), at cost		23,831.05	
Less—Reserve for loss		15,000.00	8,831.05
PREPAID INSURANCE, TAXES, MACHINE REPAIR PARTS, DEFERRED MANUFACTURING EXPENSES, ADVERTISING, ETC.			87,878.97
REORGANIZATION AND FINANCING EXPENSES, less premiums on sale of stock		126,334.00	
Less—Amortization to date		69,713.03	56,620.97
			$10,399,092.87

*It has not been the practice of the company to eliminate profit on purchases from controlled company not consolidated, the purchases being at current market prices.

**Bayuk Cigars Incorporated has guaranteed as to principal and dividends the preferred stock of the controlled company. The amount outstanding not held by Bayuk Cigars Incorporated is $200,000.00 par value.

DECEMBER 31, 1934

Liabilities

CURRENT LIABILITIES:			
Notes payable to banks		$800,000.00	
Trade creditors		151,366.29	
Sundry accounts payable (including $595.76 payable to controlled company)		8,224.81	
Accrued wages and salaries		17,344.33	
Accrued taxes (other than Federal income tax) and interest		42,857.18	
Provision for Federal income tax		101,556.14	
Dividend payable on 7% first preferred stock		43,758.75	
First mortgage 6% sinking fund bonds of subsidiary company, due September 15, 1935		150,000.00	$1,315,107.50
TRUSTEE ACCOUNT FOR EMPLOYEES' CHRISTMAS FUND, per contra			22,516.48
RESERVE FOR DIVIDENDS ON 7% FIRST PREFERRED STOCK			43,758.75
PREFERRED STOCK, 7% cumulative:			
Authorized and issued...	50,000 shares ($100 par value each)		
Less—Retired through sinking fund.....	24,995 shares		
Outstanding	25,005 shares		2,500,500.00
COMMON STOCK:			
Authorized, 250,000 shares, no par value			
Issued, 98,851 shares (including 4,427 shares in treasury, see below)		3,015,336.44	
Non-dividend bearing scrip certificates 6200/100 shares, including 96/100 share in treasury (see below)		2,997.82	
		3,018,334.26	
SURPLUS:			
Applied to redemption of 7% first preferred stock, par value $2,499,500.00	2,082,268.42		
Sinking fund reserve for purchase of 7% first preferred stock—unexpended	110,231.58		
Unappropriated	1,520,476.38	3,712,976.38	
		6,731,310.64	
Deduct, common stock and non-dividend scrip certificates in treasury, 4,427 96/100 shares, at or below cost (62 shares of which are held for conversion of outstanding scrip certificates, as noted above)		214,100.50	
Common stock and surplus represented by 94,424 shares outstanding			6,517,210.14
			$10,399,092.87

NOTE: The equity of Bayuk Cigars Incorporated in controlled company not consolidated has increased since acquisition by $97,705.99, which amount is not included in surplus in the above balance sheet.

Consolidated Surplus Account

FOR THE YEAR ENDING DECEMBER 31, 1934

Balance, December 31, 1933		**$3,268,290.89**
Add:		
Net profit for the year ending December 31, 1934	$941,298.46	
Discount on 2,663 shares 7% first preferred stock retired during the year	5,241.15	946,539.61
		4,214,830.50
Deduct:		
Dividends:		
On 7% first preferred stock, payable in cash	181,931.75	
On common stock, paid in cash	94,419.00	
	276,350.75	
On common stock, payable in treasury common stock (stated at average book value of treasury stock, $48.35195 per share)	175,712.92	
	452,063.67	
Reserve for quarterly dividend on 7% first preferred stock	43,758.75	
Amortization of reorganization and financing expenses	6,031.70	501,854.12
Balance, December 31, 1934		$3,712,976.38

Consolidated Profit and Loss Account

FOR THE YEAR ENDING DECEMBER 31, 1934

Gross earnings, before depreciation and amortization			$3,403,266.62
Deduct:			
Selling, general and administrative expenses		$1,979,570.10	
Provision for depreciation of buildings, equipment and automobiles		241,256.69	
Amortization of cost of cigar machine licenses		137,610.00	2,358,436.79
			1,044,829.83
Add:			
Discount, rental, dividends and miscellaneous income (including dividend of $10,500.00 from controlled company not consolidated)			74,002.40
			1,118,832.23

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Other charges:			
Interest on notes payable and mortgage	$28,275.79		
Less—Interest received	594.54	27,681.25	
Loss on sales of tobacco		57,774.08	85,455.33
			1,033,376.90
Provision for Federal income tax			92,078.44
Net profit for the year, carried to surplus			$941,298.46

NOTE: The equity of Bayuk Cigars Incorporated in undistributed earnings for the year of controlled company not consolidated amounted to $34,702.44 and is not included in the above statement of profit and loss.

1935

BAYUK CIGARS INCORPORATED

and Wholly Owned Subsidiary Companies

THE LIBRARY OF THE
MAY 11 1937
UNIVERSITY OF ILLINOIS

FINANCIAL STATEMENTS

DECEMBER 31, 1935

BAYUK CIGARS INCORPORATED

SAMUEL BAYUK, *Chairman of the Board* HARRY S. ROTHSCHILD, *President*

LOUIS A. KRAMER, *Vice-President*
A. JOSEPH NEWMAN, *Vice-President*
H. P. WURMAN, *Vice-President*
HARVEY L. HIRST, *Treasurer*
A. NELSON HIRST, *Asst. Treasurer*
JOHN O. DAVIS, *Secretary*
E. R. LIGGETT, *Asst. Secretary*

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T. EDWIN QUISENBERRY
HARRY S. ROTHSCHILD
J. VIPOND
H. P. WURMAN

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1936

PRICE, WATERHOUSE & CO.

PACKARD BUILDING
PHILADELPHIA

February 8, 1936.

Bayuk Cigars Incorporated,

Philadelphia, Pa.

THE LIBRARY OF THE
MAY 11 1937
UNIVERSITY OF ILLINOIS

We have made an examination of the consolidated balance sheet of Bayuk Cigars Incorporated and its wholly owned subsidiary companies and controlled company not consolidated as at December 31, 1935, and of the relative statements of consolidated surplus and profit and loss for the year 1935. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence, and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and relative statements of surplus and profit and loss fairly present, in accordance with accepted principles of accounting consistently followed by the companies, their financial position at December 31, 1935, and the results of their operations for the year.

PRICE, WATERHOUSE & CO.

CONSOLIDATED BALANCE SHEET

Assets

CURRENT ASSETS:			
Cash		$247,582.13	
Cash impounded in respect of tobacco processing tax (recovered January 16, 1936)		34,297.02	
Accounts receivable, trade	$1,509,030.07		
Less—Reserve for doubtful accounts and discounts	145,328.91	1,363,701.16	
Inventories (quantities and condition certified by responsible officials) valued at not above cost or market:			
Manufactured goods	$613,186.16		
Tobaccos (raw materials and in process) $4,971,027.17			
Less—Reserve 114,795.60	4,856,231.57*		
Manufacturing labor applied to goods in process	116,878.96		
Supplies, etc.	73,509.33	5,659,806.02	
Revenue stamps		2,929.87	$7,308,316.20
EMPLOYEES' CHRISTMAS FUND, CASH ON DEPOSIT IN TRUSTEE ACCOUNT, per contra			23,432.00
CASH ON DEPOSIT FOR PURCHASE OF 7% FIRST PREFERRED STOCK FOR SINKING FUND (including $220,000.00 in respect of 2,000 shares called for redemption January 15, 1936 at $110 per share and accrued dividends)			226,895.08
INVESTMENT IN CONTROLLED COMPANY, at cost			150,100.00**
MISCELLANEOUS INVESTMENTS			15,571.55
PLANT FACILITIES, at cost, less reserves:			
Land and buildings	$2,612,491.38		
Less—Reserve for depreciation on buildings	465,505.02	$2,146,986.36	
Equipment, fixtures, etc.	$1,694,025.52		
Less—Reserve for depreciation	1,214,514.25	479,511.27	
Automobiles	$83,099.40		
Less—Reserve for depreciation	61,234.16	21,865.24	
		$2,648,362.87	
Cigar machine licenses	$1,378,600.00		
Less—Amortization	1,138,970.00	239,630.00	2,887,992.87
PREPAID INSURANCE, TAXES, MACHINE REPAIR PARTS, DEFERRED MANUFACTURING EXPENSES, ADVERTISING, ETC.			72,631.01
REORGANIZATION AND FINANCING EXPENSES, less premiums on sale of stock		$126,334.00	
Less—Amortization to date		72,455.95	53,878.05
			$10,738,816.76

*It has not been the practice of the company to eliminate profit on purchases from controlled company not consolidated, the purchases being at current market prices.

**Bayuk Cigars Incorporated has guaranteed as to principal and dividends the preferred stock of the controlled company. The amount outstanding not held by Bayuk Cigars Incorporated is $200,000.00 par value.

BAYUK CIGARS INC.

PHILADELPHIA

OFFICE OF THE PRESIDENT

February 15, 1936

TO OUR STOCKHOLDERS:

It is my pleasure to enclose the 1935 Annual Statement of Bayuk Cigars Incorporated in the confident belief that an analysis of it will warrant gratification at the pleasing results accomplished.

An exemplification of the progress made by your Company during 1935 can be expressed in the brief statement that Bayuk 'Phillies', your Company's featured 5c brand, developed an increase in sales double the entire cigar industry's increase on 5c cigars.

Consumers' acceptancy of our products, loyalty and untiring efforts of employees and good-will of the distributing channels of our products — all these vital factors have never been on a higher plane.

From a manufacturing angle, the abolition of the Processing Tax and the revision of the duty on Sumatra tobacco will, naturally, tend to a reduced production cost, but such savings will doubtless be offset by a higher purchase price of both Domestic and Havana tobaccos together with the grave possibility of the enactment of excise or other taxes. Economies in both marketing and manufacturing methods, gained from experience, will materially aid in meeting any and all contingencies to safeguard our present standard of quality.

As you are aware, the cigar industry is undergoing changes from the standpoint of the public's preference for cigars. In line with our action three years ago when we met the smokers' needs by reducing the price of Bayuk 'Phillies' from 10c to 5c, we can assure you that present conditions have been met and we have anticipated the public's demand for cigars by entering aggressively the price classifications of product sought by the consumer.

Our intimate letter to you of last year, under date of February 20th, needs no revision at this time. Policies are being carried out in the same manner and under the same conditions. It is with pride that we urge you to visit the plant at 9th & Columbia Avenue, Philadelphia, to see for yourself just what your officers have been able to create, and in what manner the interest of the stockholders is being protected and the value of their holdings enhanced.

We look forward to 1936 for a continuance of the progress made in the past three years under the present management.

Sincerely yours,

J. Barry S. Rothschild

President

DECEMBER 31, 1935

Liabilities

CURRENT LIABILITIES:			
Notes payable to banks		$500,000.00	
Trade creditors		165,297.49	
Sundry accounts payable		15,572.34	
Accrued wages and salaries		13,376.33	
Accrued taxes (other than income taxes)		56,595.22	
Provision for Federal and state income taxes		230,650.87	
Dividend payable on 7% first preferred stock		41,639.50	
Provision for bonus to executive officers and employees		52,218.01	$1,075,349.76
TRUSTEE ACCOUNT FOR EMPLOYEES' CHRISTMAS FUND, per contra			23,432.00
RESERVE FOR DIVIDENDS ON 7% FIRST PREFERRED STOCK			41,639.50
FIRST PREFERRED STOCK, 7% cumulative:			
Authorized and issued...	50,000 shares ($100 par value each)		
Less—Retired through sinking fund	26,206 shares		
Outstanding	23,794 shares		2,379,400.00
COMMON STOCK:			
Authorized, 250,000 shares, no par value			
Issued, 98,851 shares (including 588 shares in treasury, see below)		$3,015,336.44	
SURPLUS:			
Applied to redemption of 7% first preferred stock, par value $2,620,600.00	$2,215,604.92		
Sinking fund reserve for purchase of 7% first preferred stock—unexpended	226,895.08		
Unappropriated	1,789,582.59	4,232,082.59	
		$7,247,419.03	
Deduct—Common stock in treasury, 588 shares, at or below cost		28,423.53	
Common stock and surplus represented by 98,263 shares outstanding			7,218,995.50
			$10,738,816.76

NOTE: The equity of Bayuk Cigars Incorporated in controlled company not consolidated has increased since acquisition by $102,778.05, which amount is not included in surplus in the above balance sheet.

Statement of Consolidated Surplus

FOR THE YEAR ENDING DECEMBER 31, 1935

Balance, December 31, 1934		$3,712,976.38
Add:		
Net profit for the year ending December 31, 1935	$1,022,543.51	
Reduction of reserve for dividend on 7% first preferred stock due to retirement of 1,211 shares during the year	2,119.25	1,024,662.76
		$4,737,639.14
Deduct:		
Dividends:		
On 7% first preferred stock, payable in cash	$169,766.34	
On common stock, paid in cash	98,148.00	
	$267,914.34	
On common stock, payable in treasury common stock (stated at average book value of treasury stock, $48.35195 per share)	182,634.99	
	$450,549.33	
Additional Federal income tax for prior years	40,027.80	
Premium on 1,211 shares 7% first preferred stock retired during the year	12,236.50	
Amortization of reorganization and financing expenses	2,742.92	505,556.55
Balance, December 31, 1935		$4,232,082.59

Statement of Consolidated Profit and Loss

FOR THE YEAR ENDING DECEMBER 31, 1935

Gross earnings, before depreciation and amortization			$3,727,888.73
Deduct:			
Selling, general and administrative expenses (including provision for bonus to executive officers and employees, based on earnings and sales, $53,094.68)		$2,194,272.35	
Provision for depreciation of buildings, equipment and automobiles		247,087.66	
Amortization of cost of cigar machine licenses		113,035.00	2,554,395.01
			$1,173,493.72
Add:			
Discount, rental, dividends and miscellaneous income (including dividends of $35,500.00 from controlled company not consolidated)			123,580.81
			$1,297,074.53
Other charges:			
Interest on notes payable, mortgage, etc.	$25,858.25		
Less—Interest received	580.27	25,277.98	
Loss on sales of tobacco		31,541.89	56,819.87
			$1,240,254.66
Provision for Federal and state income taxes			217,711.15
Net profit for the year, carried to surplus			$1,022,543.51

THE LIBRARY OF THE
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UNIVERSITY OF ILLINOIS

NOTE: The equity of Bayuk Cigars Incorporated in undistributed earnings for the year of controlled company not consolidated amounted to $5,072.06 and is not included in the above statement of profit and loss.

1936

BAYUK CIGARS INCORPORATED

and Wholly Owned Subsidiary Companies

THE LIBRARY OF THE
MAY 11 1937
UNIVERSITY OF ILLINOIS

FINANCIAL STATEMENTS

DECEMBER 31, 1936

BAYUK CIGARS INCORPORATED

SAMUEL BAYUK, *Chairman of the Board* HARRY S. ROTHSCHILD, *President*

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J. VIPOND
H. P. WURMAN

PRICE, WATERHOUSE & CO.

PACKARD BUILDING
PHILADELPHIA

February 3, 1937

Bayuk Cigars Incorporated,

Philadelphia, Pa.

THE LIBRARY OF THE
MAY 11 1937
UNIVERSITY OF ILLINOIS

We have made an examination of the consolidated balance sheet of Bayuk Cigars Incorporated and its wholly owned subsidiary companies and controlled company (not consolidated) as at December 31, 1936, and of the relative statements of consolidated surplus and profit and loss for the year 1936. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence, and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and relative statements of surplus and profit and loss fairly present, in accordance with accepted principles of accounting consistently maintained by the companies, their financial position at December 31, 1936, and the results of their operations for the year.

PRICE, WATERHOUSE & CO.

CONSOLIDATED BALANCE SHEET

Assets

CURRENT ASSETS:				
Cash			$217,725.42	
Accounts receivable, trade		$1,660,272.47		
Less—Reserves:				
For doubtful accounts	$157,243.81			
For discounts	28,446.91	185,690.72	1,474,581.75	
Inventories (quantities and condition certified by responsible officials):				
Manufactured goods, at or below cost		$514,469.28		
Tobaccos (raw materials and in process), at or below average cost	$5,874,768.28			
Less—Reserve	21,185.63	5,853,582.65 (a)		
Manufacturing labor applied to goods in process		119,020.21		
Supplies, etc., at cost		83,031.76	6,570,103.90	
Revenue stamps			12,880.60	$8,275,291.67
EMPLOYEES' CHRISTMAS FUND, CASH ON DEPOSIT IN TRUSTEE ACCOUNT, per contra				37,374.00
CASH ON DEPOSIT FOR PURCHASE OF 7% FIRST PREFERRED STOCK FOR SINKING FUND (including $283,250.00 in respect of 2,575 shares called for redemption January 15, 1937 at $110.00 per share and accrued dividends)				295,226.58
INVESTMENT IN CONTROLLED COMPANY, at cost				(b) 150,100.00
MISCELLANEOUS INVESTMENTS, ETC., at cost				7,064.66
PLANT FACILITIES, at cost, less reserves:				
Land and buildings		$2,619,420.98		
Less—Reserve for depreciation on buildings		511,349.34	$2,108,071.64	
Equipment, fixtures, etc.		$1,703,588.59		
Less—Reserve for depreciation		1,363,979.23	339,609.36	
Automobiles		$ 85,483.63		
Less—Reserve for depreciation		62,680.81	22,802.82	
			$2,470,483.82	
Cigar machine licenses		$1,378,600.00		
Less—Amortization		1,218,690.00	159,910.00	2,630,393.82
PATENT RIGHTS, at cost			$ 16,000.00	
Less—Amortization			926.20	15,073.80
PREPAID ITEMS AND DEFERRED CHARGES				94,497.08
REORGANIZATION AND FINANCING EXPENSES, less premiums on sale of stock			$ 126,334.00	
Less—Amortization to date			77,481.99	48,852.01
				$11,553,873.62

(a) It has not been the practice of the company to eliminate profit on purchases from controlled company (not consolidated), the purchases being at current market prices.

(b) Bayuk Cigars Incorporated has an agreement with the other stockholder of the controlled company (not consolidated) under which upon 6 months' notice by either party, Bayuk Cigars Incorporated may or shall purchase the preferred stock held by such other stockholder at par plus accrued dividends. The amount of outstanding preferred stock of the controlled company not held by Bayuk Cigars Incorporated is $200,000 par value.

DECEMBER 31, 1936

Liabilities

CURRENT LIABILITIES:			
Notes payable to banks		$ 900,000.00	
Trade creditors		164,809.50	
Sundry accounts payable		19,732.36	
Accrued wages and salaries		40,543.24	
Accrued taxes (other than income taxes)		126,280.22	
Provision for Federal and state taxes on income		334,267.27	
Dividend payable on 7% first preferred stock		37,756.25	
Provision for bonus to executive officers and employees		51,322.90	$1,674,711.74
CONTRACTUAL OBLIGATION, payable in annual instalments ranging from $1,250 to $2,000 each from March 5, 1938 to March 5, 1950, inclusive			20,500.00
TRUSTEE ACCOUNT FOR EMPLOYEES' CHRISTMAS FUND, per contra			37,374.00
RESERVE FOR DIVIDENDS ON 7% FIRST PREFERRED STOCK			37,756.25
CAPITAL STOCK AND SURPLUS:			
First preferred stock, 7% cumulative:			
Authorized and issued ($100 par value each)	50,000 shares		
Less—Retired through sinking fund	28,425 shares		
Outstanding	21,575 shares	$2,157,500.00	
Common stock:			
Authorized, 524,080 shares, no par value			
Issued and outstanding, 393,060 shares		2,987,047.47	
Surplus:			
Applied to redemption of 7% first preferred stock, par value $2,842,500.00	$2,459,773.42		
Sinking fund reserve for purchase of 7% first preferred stock—unexpended	295,226.58		
Unappropriated	1,883,984.16	4,638,984.16	
			(c) 9,783,531.63
			$11,553,873.62

(c) The equity of Bayuk Cigars Incorporated in controlled company (not consolidated) has increased since acquisition by $101,833.47 which amount is not included in surplus in the above balance sheet.

NOTE: As required by law, the company filed a return in respect of processing taxes unpaid for the calendar year 1935. This return shows no "windfall tax" payable. The company proposes to file on or before June 30, 1937, a claim for refund of processing taxes paid under the Agricultural Adjustment Act in the amount of approximately $560,000. The above balance sheet includes no provision for any contingent liability or contingent asset in respect of these items.

Statement of Consolidated Surplus

FOR THE YEAR ENDING DECEMBER 31, 1936

Balance, December 31, 1935		$4,232,082.59
Add:		
Net profit for the year ending December 31, 1936	$ 974,898.04	
Reduction of reserve for dividend on 7% first preferred stock due to retirement of 2,219 shares during the year	3,883.25	978,781.29
		$5,210,863.88
Deduct:		
Dividends:		
On 7% first preferred stock, payable in cash	$ 151,524.91	
On common stock, paid in cash	393,060.27	
	$ 544,585.18	
Premium on 2,219 shares 7% first preferred stock retired during the year	22,268.50	
Amortization of reorganization and financing expenses	5,026.04	571,879.72
Balance, December 31, 1936		$4,638,984.16

Statement of Consolidated Profit and Loss

FOR THE YEAR ENDING DECEMBER 31, 1936

Gross earnings, before depreciation and amortization		$3,933,989.33
Deduct:		
Selling, general and administrative expenses (including provision for bonus to executive officers and employees, based on earnings and sales, $51,322.90)	$2,401,692.46	
Provision for depreciation of buildings, equipment and automobiles	223,551.67	
Amortization of cost of cigar machine licenses and patent rights	80,646.20	2,705,890.33
		$1,228,099.00
Add:		
Discount, rental, dividends and miscellaneous income (including dividends of $30,500.00 from controlled company not consolidated)		124,487.81
		$1,352,586.81
Other charges:		
Interest on notes payable, etc.	$ 25,563.37	
Less—Interest received	281.09	
	$ 25,282.28	
Flood loss	13,785.66	
Expenses in connection with recapitalization and proposed refinancing	18,100.83	57,168.77
		$1,295,418.04
Provision for taxes on income:		
Commonwealth of Pennsylvania	$ 73,325.00	
Federal normal income tax	176,475.00	
Federal surtax on undistributed profits	70,720.00	320,520.00
Net profit for the year, carried to surplus		$ 974,898.04

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NOTE: The dividends received from controlled company (not consolidated), $30,500.00, included in the above statement of profit and loss, were $944.58 in excess of the equity of Bayuk Cigars Incorporated in the earnings of that company for the year.